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Correspondence Memorandum

Date: May 10, 2023

To: Audit Committee

From: Kurt Petrie, Auditor
Office of Internal Audit

Subject: Internal Audit – Portfolio Intake Process Review

This memo is for informational purposes only. No Committee action is required.

The Office of Internal Audit (OIA) completed a consulting review of ETF's projects and strategic initiatives intake processes to determine if they were operating efficiently and effectively. We also reviewed the Portfolio Committee's processes for project review and monitoring. The scope of our review was the Portfolio Committee's meeting materials from January 2020 – October 2022.

This consulting review was completed in accordance with the fiscal year 2022-2023 Biennial Audit Plan and was performed in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the International Audit Standards Board. The results of our review are included below. Because this was a consulting engagement, the recommendations below are suggestions for management to consider and, therefore, did not require a response like audit reports do.

Background
The Portfolio Committee (PC) was created in 2019 as a cross-functional team[1] to review and monitor projects to ensure they are aligned with ETF's strategic direction and agency resources are used effectively. Review and approval of strategic initiatives started about one year ago because of the resource component. Prior to that, strategic initiatives were approved by the Strategic Council and the PC was informed that they were being worked on.

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[1] Members include: the Director of the Office of Enterprise Initiatives, Administrator of the Division of Management Services, Chief Information Officer, Administrator of the Division of Trust Finance, Director of the Office of Strategic Health Policy, and Administrator of the Division of Retirement Services.

Reviewed and approved by Yikchau Sze, Director, Office of Internal Audit
Electronically Signed 06/02/23

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To request a project or strategic initiative, the requester must fill out the respective template. The template is then routed to the respective reviewer for their review and entrance into either the project intake workflow or the strategic initiative intake workflow. The Office of Enterprise Initiatives (OEI) deputy director is responsible for the review of projects, and the Secretary's Office Policy Advisor for strategic initiatives. ETF has documented both processes and the necessary steps in flowcharts. Once the requested project or strategic initiative goes through the steps of the intake workflow, it goes before the PC for their review and possible approval. The PC meets about 20 times per year to review these requests. If it is approved, work can begin on the project or strategic initiative.

Results and Recommendations

Project Review and Approval
We found that one of the projects in our sample did not contain the number of hours that the project was estimated to take for the implementation phase when presented to the PC[2]. This information is important and helpful for the PC members when deciding to approve or deny the request. We also found that on the original project proposal there is a section for the measure of success (i.e., benefits of doing this project). However, this information is not included on the change request template. To ensure that this information is still accurate, or has changed since the original project request, it would be helpful to include it on the change request template.

We reviewed a sample of projects to verify that the PC approved the project and any change requests, if applicable. We found that the hours approved by the PC were lower than what was budgeted and spent on the projects in Eclipse[3]. Furthermore, one project was worked on after its estimated completion date. A change request should have been submitted to the PC for approval but never took place. Staff stated that the project was on hold and, therefore, the project did not need a change request. However, about 1,000 hours or 40% of the project's total hours were worked on during this period.

We recommend the following enhancements related to project review and approval by the PC:
- Ensure all project proposals and change requests include the estimated number of hours that the project will take;
- Add a "Measure of Success" section to the change request form to ensure that those measures are still valid, or have changed since the project proposal;
- Ensure the number of estimated hours approved for the project by the PC is not exceeded. If so, a change request must be approved by the PC, unless a threshold is established by the PC and documented in the Charter. For mandatory projects, consider if an alternative approval process should be used when the budget is exceeded;

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[2] This project was approved by the PC in two phases: 1) Planning and 2) Implementation.
[3] Eclipse is ETF's project portfolio management software used to manage its projects and project resources.

- Consider adding as a quarterly metric the number of hours approved (i.e., budgeted) by the PC vs. actual hours; and
- Consider using the PC-approved budget when determining the scheduled health category on the monthly portfolio report or determine if a new category should be added using the approved budget.

Portfolio Committee Project Monitoring
The PC uses different tools to monitor projects. Monthly, it receives the portfolio report on each project's health. This report uses a green, yellow, or red color-coding on various categories from overall project health to transition management.

The quarterly project portfolio metrics report is also used for monitoring. This report contains information on the number of new projects submitted, projects in backlog, project change requests, projects started, and projects completed. It also has information on the percentage of projects completed on time[4], and projects completed within scope.

Another tool used for monitoring is the prioritization matrix that scores each project based on the effort and business value to come up with a total score. The score is used to determine what projects to work on, but there are several qualitative factors as well, with the main one being which staff have capacity to work on projects. This matrix is provided to the PC whenever a new project proposal comes forward.

We reviewed a sample of these tools for accuracy and timeliness reporting to the PC. Based on our review, we found each tool contained accurate information and was timely reported to the PC. No concerns were noted.

Strategic Initiatives
Strategic initiatives typically take six to 18 months to implement. Progress updates are provided monthly at the Strategic Council (SC) meetings. The members of SC include almost all PC[5] members and some additional members.

We found that all strategic initiative proposals and change requests within the last year were approved by the PC. We did identify that the Secretary's Office Policy Advisor responsible for monitoring strategic initiatives does not attend the PC meetings where strategic initiatives are discussed (proposals and/or change requests). To ensure this employee has all available information, they should attend the portion of the PC meeting where strategic initiatives are discussed.

We also identified during our review, that certain strategic initiatives after implementation impact staff even though some staff might not be aware of the impact.

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[4] A project is completed on time when the baseline end date (estimated completion date when the project started adjusted for any change requests) is within one week of the actual project end date.
[5] The Strategic Council includes all members of the Portfolio Committee other than the Chief Information Officer. In addition, it also includes the Secretary, Deputy Secretary, Assistant Deputy Secretary, and the Director of the Office of Legal Services.

Given how busy certain staff are, knowing the potential number of hours after implementation would be useful for planning purposes. For example, the strategic initiative that updated the employee evaluation process has impacted supervisors and staff.

We recommend the following enhancements related to strategic initiatives:
- The Secretary's Office Policy Advisor attend the portion of the Portfolio Committee meeting where strategic initiatives are discussed; and
- Update the strategic initiative template and/or project proposal to include a question regarding the impact to staff after implementation. If it does impact staff, what staff will be impacted and potentially how many hours they will be impacted.

Staff will be at the Committee meeting to answer any questions.